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102D CONGRESS
1st Session

HOUSE OF REPRESENTATIVES

REPORT
102-141

ADDITIONAL OBJECTIVES WHICH THE PEOPLE'S REPUBLIC OF CHINA MUST MEET IN ORDER TO QUALIFY FOR NONDISCRIMINATION TREATMENT IN 1992

JULY 9, 1991.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. ROSTENKOWSKI, from the Committee on Ways and Means, submitted the following

REPORT

together with

DISSENTING AND ADDITIONAL VIEWS

[To accompany H.R. 2212]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 2212) regarding the extension of most-favored-nation treatment to the products of the People's Republic of China, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments (stated in terms of the page and line numbers of the introduced bill) are as follows:

Page 2, strike out lines 1 through 4.

Page 2, line 5, strike out "SEC. 101." and insert "SECTION 1.".

Page 2, strike lines 12 through 14 and insert the following:

> President—
>
> (1) reports in the document required to be submitted by such subsection, that the government of that country—

Page 2, line 15, redesignate paragraph (1) as subparagraph (A).

Page 2, line 18, redesignate subparagraph (A) as clause (i).

Page 2, line 18, in clause (i), as redesignated, strike out "accounted for those" and insert "provided an accounting of".

49-006

H783-6

Page 2, line 22, redesignate subparagraph (B) as clause (ii).

Page 2, line 24, redesignate paragraph (2) as subparagraph (B).

Page 2, line 24, in subparagraph (B), as redesignated, insert "overall" before "significant progress".

Page 3, line 1, redesignate subparagraph (A) as clause (i).

Page 3, lines 3 and 4, clause (i), as redesignated, strike out "China and" and insert "China, including".

Page 3, line 5, redesignate subparagraph (B) as clause (ii).

Page 3, line 6, in clause (ii), as redesignated, strike out "and Tibet" and insert ", including Tibet".

Page 3, line 11, redesignate subparagraph (C) as clause (iii).

Page 3, line 12, in clause (iii), as redesignated, strike out "and Tibet" and insert ", including Tibet,".

Page 3, line 15, redesignate subparagraph (D) as clause (iv).

Page 3, line 20, redesignate subparagraph (E) as clause (v).

Page 3, line 21, in clause (v), as redesignated, insert "or humanitarian" after "monitoring".

Page 3, line 23, redesignate subparagraph (F) as clause (vi).

Page 4, line 1, redesignate subparagraph (G) as clause (vii).

Page 4, line 3, in clause (vii), as redesignated, strike "; and" and insert a comma.

Page 4, line 4, redesignate subparagraph (3) as subparagraph (C).

Page 4, line 6, in subparagraph (C), as redesignated, strike the period and insert a comma.

Page 4, after line 6, insert the following:

(D) does not support or administer any program of coercive abortion or involuntary sterilization,

(E) has provided clear and unequivocal assurances to the United States that it is not assisting and will not assist any nonnuclear weapons state, either directly or indirectly, in acquiring nuclear explosive, devices or the materials and components for such devices,

(F) has provided clear and unequivocal assurances that it will not contribute to the proliferation of missiles and is a Missile Technology Control Regime adherent with respect, at least, to countries, in the Middle East and South Asia,

(G) has taken appropriate steps to prevent the exportation of products made by prisoners and detainees assigned to labor camps, prisons, detention centers and other facilities holding detainees and has allowed United States officials and international humanitarian and intergovernmental organizations to inspect the places of detention suspected of producing export goods to ensure that appropriate steps have been taken and are in effect, and

(H) has moderated its position regarding the access of the Republic of China (Taiwan) to the General Agreement on Tariffs and Trade; and

(2) based on the assurances referred to in paragraph (1)(E) and all other information available to the

United States Government, has made the certifications and submitted the report required by the Joint Resolution relating to the approval and implementation of the proposed agreement for nuclear cooperation between the United States and the People's Republic of China (Public Law 99-183, 99 Stat. 1174).

Page 4, line 10, strike out "(2)(D)" and insert "(1)(B)(iv)".
Page 4, line 21, strike out "(2)(A)" and insert "(1)(B)(i)".
Page 5, line 4, strike out "process" and insert "progress".
Page 5, line 5, strike out "(2)" and insert "(1)(B)".
Page 5, line 5 and 6, strike out "and faithful execution".
Page 5, line 6, insert "meaningfully reduce or" before "lead to".
Page 5, line 7 and 8, strike "subparagraphs (A) through (G) of".
Page 5, insert after line 8, the following:

(5) The terms "missile" and "Missile Technology Control Regime adherent" in paragraph (1)(F) have the respective meanings given them in section 74 of the Arms Export Control Act (22 U.S.C. 2797c) and the phrase "countries in the Middle East and South Asia" in such paragraph means Morocco, Algeria, Tunisis, Libya, Sudan, Egypt, Israel, Lebanon, Jordan, Syria, Iraq, Iran, Kuwait, Saudi Arabia, Bahrain, Qatar, the United Arab Emirates, Oman, Yemen, India, and Pakistan.

Page 5, line 9, strike out "102." and insert "2.".
Page 5, line 11, strike out "authority".
Page 5, line 11, strike out "101 be extended" and insert "1 be continued with respect".
Page 5, line 17, strike out "implementated" and insert "implemented".
Page 5, line 17, strike out "101" and insert "1".

Background and Summary

Prior to 1951, the United States extended nondiscriminatory, most-favored-nation (MFN) treatment to all of its trading partners, in accord with obligations undertaken when the United States joined the General Agreement on Tariffs and Trade (GATT) in 1948. However, the Trade Agreements Extension Act of 1951 directed the President to withdraw or suspend the MFN status of the Soviet Union and all countries under the domination of international communism. As implemented, this directive was applied to all then-existing communist countries except Yugoslavia. Poland's MFN status was restored by Presidential directive in 1960.

Title IV of the Trade Act of 1974 (the so-called Jackson-Vanik amendment) represented a liberalization of the 1951 law. Title IV authorizes the President to waive the freedom of emigration requirements of that title and grant MFN status to a nonmarket economy country, if he determines that so doing will substantially promote the objectives of freedom of emigration.

MFN status first was granted to the People's Republic of China on February 1, 1980, and has been renewed annually since then on the basis of a Presidential waiver. (A valid trade agreement, as re-

quired by Jackson-Vanik, has remained in force during that time.) On May 29, 1991, the President notified Congress of his intention once again to waive the Trade Act's freedom of emigration requirements and thereby extend China's MFN status for an additional year, beginning July 4, 1991.

In the years prior to 1990, renewal of China's MFN status was noncontroversial, due to China's satisfactory performance on freedom of emigration matters, as required by law. However, the events of June 3, 1989, in Tiananmen Square dramatically altered the attitudes of all Americans toward the hard-line leaders of China who were responsible for the unprovoked massacre of hundreds of students and workers, whose only offense was to call for greater freedom of expression and democracy in China.

China's leaders have had two years to improve their behavior in the area of human rights. They also have been aware of strong sentiment in the United States and in the U.S. Congress for such improvement. However, Members of the Committee on Ways and Means and many of their colleagues in the House of Representatives feel that the behavior of China's hard-line leaders has not improved. Many nonviolent demonstrators from the Tiananmen Square incident remain in prison (in many cases without trial) and unaccounted for. Secret trials have resulted in the sentencing of many other prisoners, in some cases to years in prison. The living conditions of many of the prisons reportedly are inhumane, and prisoners are subject to various forms of degrading treatment and even torture. Credible reports have surfaced suggesting that prisoners are being used for the production of goods for export to the U.S. and other markets, in violation of international accords and U.S. law. Chinese leaders continue efforts to suppress the free expression of views within China, including by the press, and are blocking Mandarin language broadcasts by the Voice of America. Religious persecution remains a fact of life for many in China. Finally, reports of Chinese plans to sell missiles to countries of the Middle East and South Asia and its 1983 sale of an unsafeguarded nuclear reactor to Algeria have raised serious concerns over China's commitment to nonproliferation.

The purpose of H.R. 2212, as amended, is to send a strong message to the hard-line leaders of China that their behavior toward their own people and certain of their actions on the international front will not be tolerated by the United States. China's leaders have a choice under this bill. If they cease the violation of basic human rights of the Chinese people and the proliferation of destructive arms and technologies—and thereby join the community of civilized nations—they can continue to enjoy the unimpeded access of their exports to the increasingly lucrative U.S. market. If, however, they refuse to make progress in the areas of concern spelled out in the bill, then China will lose its MFN status and its easy access to the U.S. market. Such an action inevitably will cause disruptions to a range of U.S. trade and investment interests as well. However, the Committee believes that China's hard-line leaders must understand that the American people and the United States Congress will not support a continuation of China's MFN status without a significant easing of the repressive policies which have been put into place since the Tiananmen Square crackdown

and significantly more responsible behavior in the area of nuclear and missile proliferation.

COMMITTEE ACTION

H.R. 2212 was introduced on May 2, 1991, by Representatives Pelosi, Russo, Stark, Donnelly, Bunning, Rangel, Kennelly, Moody, and others. The bill was referred to the Committee on Ways and Means.

The Subcommittee on Trade held a public hearing on June 12, 1991, on the issue of U.S.-China trade relations, including the question of China's MFN status. Also under consideration during that hearing were a number of bills and resolutions, including H.R. 2212. The Subcommittee heard testimony from a large number of witnesses, including representatives of the Administration, the private sector (including agriculture), human rights and religious organizations, and Chinese students and scholars resident in the United States. In addition to oral statements, the Subcommittee received numerous written statements from interested parties that have been included as part of the hearing record.

On June 26, 1991, the Committee on Ways and Means, by voice vote, ordered H.R. 2212, as amended, favorably reported to the House of Representatives.

SECTION-BY-SECTION ANALYSIS, COMPARISON WITH PRESENT LAW, AND JUSTIFICATION

Section 1. Additional Objectives Which the Government of China Must Meet in Order To Receive Nondiscriminatory Treatment

A. IN GENERAL

Present law

Section 402 of the Trade Act of 1974 (the so-called Jackson-Vanik amendment) sets forth three objectives relating to freedom of emigration which must be met, or waived by the President, before a nonmarket economy country may be granted nondiscriminatory MFN status. In order to determine that a country has met the Jackson-Vanik requirements and thus is eligible for open-ended MFN status, the President must determine that a country does not:

(1) deny its citizens the right or opportunity to emigrate;

(2) impose more than a nominal tax on emigration or on the visas or other documents required for emigration, for any purpose or cause whatsoever; or

(3) impose more than a nominal tax, levy, fine, fee, or other charge on any citizen as a consequence of the desire of such citizen to emigrate to the country of his choice.

Alternatively, the President may determine that a waiver will substantially promote the above objectives and thereby extend MFN status on an annual basis.

Explanation of provision

Section 1(a) adds a number of new objectives which the government of China must meet before the President may recommend the

continuation of a waiver for China for an additional 12-month period beginning in 1992.

Section 1(a)(1) states that the President may not recommend the continuation of a waiver for China in 1992 unless China meets a number of conditions outright: provides an accounting of citizens detained, accused, or sentenced as a result of the nonviolent expression of their political beliefs during the 1989 events in Tiananmen Square, and releases citizens imprisoned for same; is adhering to the Joint Declaration on Hong Kong (relating to the reversion of Hong Kong to China in 1997); does not support or administer coercive abortions or involuntary sterilization; is not assisting non-nuclear weapons states in acquiring nuclear explosive devices; is not contributing to the proliferation of missiles, particulary in the Middle East and South Asia; has taken steps to prevent prison-labor exports and allow inspection of suspected places of detention; and has moderated its position to Taiwan's adherence to the General Agreement on Tariffs and Trade (GATT).

In addition, before the President may recommend extension of China's waiver in 1992, section 1(a)(1) requires that China make significant progress in seven areas of behavior relating generally to the human rights situation in China, including Tibet. The actions called for are: preventing gross violations of internationally recognized human rights; ending religious persecution; removing restrictions on freedom of the press and on Voice of America broadcasts; terminating harassment of Chinese citizens resident in the United States; ensuring access of international human rights monitoring or humanitarian groups to prisoners, trials, and places of detention; ensuring freedom from torture and inhumane prison conditions; and terminating bans on peaceful assembly and demonstration.

As to the condition that China release and account for citizens, the Committee believes that basic civilized behavior should obligate a government to account for the whereabouts of citizens whom it has detained, accused, or sentenced. To deny family and friends the knowledge of such citizens' location and condition is a hardship that should not have to be endured. In addition, to continue holding in prison persons who engaged in no violent behavior during the Tiananmen Square incident—and whose only "offense" was the nonviolent expression of political beliefs—violates every standard of decency to which civilized governments are held. The Committee believes that unless these two objectives are met, China should not continue to enjoy MFN trading status with the United States. While these conditions do not specify that *all* citizens be released and accounted for, their fulfillment should be as complete as possible. It is not intended to be a loophole, allowing the Chinese government to release or account for just a few citizens and claim compliance. Moreover, the Administration should consult with human rights montioring groups to determine, to the extent possible, whether the Chinese government's categorization of prisoners as "violent" is credible.

As to the objectives in which significant progress must be made, it is the intent of the Committee that significant progress be made on each and every objective listed. The purpose of the bill is, after all, to bring about an improvement in the climate and respect for

religious freedom, freedom of expression, and other basic human rights in China, including Tibet. The objectives listed in subsection (a)(1)(B) highlight important elements of those basic human rights in which the committee believes significant progress is essential in order to bring about a meaninful improvement in China's human rights record. However, the Committee also recognizes that at the time the President must make a recommendation on whether or not to continue the waiver for China in 1992, it is possible that significant progress may have been made in most, but not all, of these objectives. If the President determines and documents that, on balance, significant progress has been made overall by the government of China in achieving the seven objectives of this subsection; and if the objectives of subsection 1(a)(1)(A) have been met; he may use the authority of section 402 of the Trade Act of 1974 to recommend a continuation of China's waiver for an additional 12-month period.

Among the objectives in which significant progress must be made is that contained in subsection (a)(1)(B)(v), to ensure the access of international human rights monitoring or humanitarian groups to prisoners, trials, and places of detention. The groups referred to in this subsection include such recognized human rights groups as Human Rights Watch, its affiliate Asia Watch, or the International Committee of the Red Cross.

Reasons for change

The brutal events in Tiananmen Square on June 3, 1989, and the repression which has followed has prompted many Americans, including Members of Congress, to question many of the underpinnings of the U.S. relationship with China, including our trade relationship. While China's MFN status already is conditioned upon China's fulfillment of certain standards relating to freedom of emigration, a majority of the Committee feels that it is important to add new criteria to the renewal of China's MFN status in 1992. They believe that the hard-line leaders in China do not take seriously Americans' concerns over their treatment of the nonviolent demonstrators and over their treatment of Chinese citizens in general. Nor do they see signs that China's leaders are prepared to address seriously U.S. concerns over the proliferation of destructive arms and technologies to unstable regions of the world. They believe that H.R. 2212, as amended, is a necessary tool to increase pressure on the Chinese regime to improve its behavior in these areas.

Members of the Committee were not unanimous in this view, however. Some Members feel that the number of requirements for action contained in the bill imposes too great a burden on the vehicle of most-favored-nation status. While China clearly benefits greatly from its trading relationship with the United States, these Members feel that attempts to impose too great a linkage on renewal of China's MFN status would be counterproductive. If the conditions of the bill are so burdensome to the Chinese leadership that they either cannot or will not meet them, the President will have no choice but to deny the extension of China's MFN status. Such an outcome, in these Members' view, would likely return China to a much more isolationist stance and would have the

ironic effect of hurting the forces for political and economic reform in China. They believe that the United States has a great opportunity to influence future Chinese behavior by maintaining the extensive trade and investment ties that have grown up during the past decade of Chinese openness to the world; that the exposure to Western ideals and practices has had a substantial influence on the Chinese people's demands for change. While these Members were prepared to support additional objectives for the renewal of China's MFN status, they feel that the number of objectives contained in the bill, as amended, impose an unrealistic set of criteria and will not serve the ultimate goal of improved Chinese behavior on number of fronts.

B. DEFINITIONS

Present law

No provision.

Expansion of provision

Section 1(b) provides definitions of a number of terms used in subsection (a).

Reason for change

The Committee believes that definitions of some of the terms used in subsection (a) are important to ensure a complete understanding of the intent of Congress and faithful implementation of the bill.

Section 2. Report by the President

Present law

Section 402(d) of the Trade Act of 1974 provides that if the President determines that extension of the waiver authority will substantially promote the Jackson-Vanik freedom of emigration objectives and recommends such an extension, the President must submit to the House and Senate a document setting forth the reasons for recommending an extension and a statement explaining why an extension will substantially promote the freedom of emigration objectives. Recommendations and the accompanying document must be submitted at least 30 days prior to expiration of the previous year's waiver.

Explanation of provision

Section 2 provides that as part of the waiver document required by section 402(d), the President also must report on the extent to which the Chinese government has implemented the objectives listed in the bill.

Reasons for change

The Committee believes that an essential part of any new objectives established for the renewal of China's MFN status next year is the requirement for a written report on the extent to which the Chinese government has, in fact, met those objectives. Because Congress has the opportunity under Title IV of the Trade Act of

1974 to disapprove the President's waiver recommendation, it is important that Congress have available to it when considering that recommendation an assessment of progress made by China in implementing the reforms called for in the bill.

In addition to the above concerns, it has come to the Committee's attention that certain Chinese companies, including government-owned and -operated trading companies, may not be complying with U.S. Federal court judgments and orders with respect to their business dealings in the United States. Such disregard for rulings of U.S. courts is of great concern to the Committee. Just as American firms are expected to comply with Chinese law when conducting business in China, so are Chinese companies expected to comply with U.S. law in conducting their operations in this market. The Committee will closely monitor the behavior of Chinese firms in this regard during the year leading up to the President's decision on China's MFN status in 1992.

Matters Required To Be Discussed Under the Rules of the House

VOTE ON THE COMMITTEE IN REPORTING THE BILL

In compliance with clause 2(l)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote of the Committee in reporting the bill: H.R. 2212 was ordered favorably reported with amendments by the Committee, by voice vote.

OVERSIGHT FINDINGS

In compliance with clause 2(l)(3)(A) of rule XI of the Rules of the House of Representatives relating to oversight findings, the Committee, based on a public hearing held by the Subcommittee on Trade, has concluded a comprehensive review of U.S.-China trade relations, including the question of extension of China's nondiscriminatory most-favored-nation status. On the basis of that review, the Committee has concluded that H.R. 2212, as amended, is an appropriate response to the repressive policies imposed by the Chinese leadership on its own citizens beginning June 3, 1989, and to China's actions regarding proliferation of destructive technologies.

With respect to the clause 2(l)(3)(D) of rule XI of the Rules of the House of Representatives, no oversight findings or recommendations have been submitted to the Committee by the Committee on Government Operations with respect to the subject matter contained in the bill.

BUDGETARY AUTHORITY AND COST ESTIMATES, INCLUDING ESTIMATES OF THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(l)(3)(B) of rule XI of the Rules of the House of Representatives, the Committee states that there are no tax expenditures or new budgetary authority providing financial assistance to State and local governments in the bill.

In compliance with clause 2(l)(3)(C) of rule XI of the Rules of the House of Representatives, the Committee agrees with cost esti-

mates furnished by the Congressional Budget Office on H.R. 2212, as amended, and required to be included herein:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 2, 1991.

Hon. DAN ROSTENKOWSKI,
Chairman, Committee on Ways and Means, House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has reviewed H.R. 2212, regarding the extension in 1992 of Most-Favored-Nation (MFN) status for the People's Republic of China, as amended and ordered reported on June 26, 1991, by the House Committee on Ways and Means. We expect that the bill would have no budgetary effects through fiscal year 1996.

Under the Trade Act of 1974, MFN status may not be conferred on a country with a nonmarket economy if that country maintains restrictive emigration policies. Because of this stipulation, the People's Republic of China does not currently qualify for MFN status. Under present law, however, the President may waive this prohibition on an annual basis if he certifies that granting MFN status would promote freedom of emigration in that country. The People's Republic of China has been granted MFN status on an annual basis beginning in 1980.

H.R. 2212 would deny the President the authority to recommend continuation of a waiver in 1992 for a 12-month period, allowing the extension of MFN status for the People's Republic of China, unless he reports that the government of China has met specific objectives. The objectives include providing an accounting of the citizens detained, accused, or sentenced as part of the repression of dissent in Tianamen Square on June 3, 1989; taking appropriate action to prevent gross violations of internationally recognized human rights in the country; adhering to the Joint Declaration on Hong Kong that the People's Republic entered into with the United Kingdom; and not supporting or administering any program of coercive abortion or involuntary sterilization.

Section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Enforcement Act of 1990, sets up pay-as-you-go procedures for legislation affecting direct spending or receipts through 1995. Because H.R. 2212 stipulates that extension of MFN status for the People's Republic of China is contingent on the actions of the government of the People's Republic, the bill does not, in itself, affect federal government revenues or outlays (see table below). In addition, there would be no effect on state and local government revenues or outlays as a result of enactment of H.R. 2212.

PAY-AS-YOU-GO CONSIDERATIONS

[By fiscal year, in billions of dollars]

	1991	1992	1993	1994	1995
Changes in revenues	0	0	0	0	0
Changes in outlays	0	0	0	0	0

If you wish further details, please feel free to contact me or your staff may wish to contact John Stell at 226–2720 or Trevor Alleyne at 226–2758.

Sincerely,

ROBERT D. REISCHAUER, *Director.*

INFLATIONARY IMPACT

With respect to clause 2(l)(4) of rule XI of the Rules of the House of Representatives, the Committee states that H.R. 2212, as amended, would not have an inflationary impact on prices and costs in the operation of the general economy.

DISSENTING VIEWS

China. An enigmatic country of over one billion people—one-fifth of the world's population—and a wide expanse of territory encompassing such diverse regions as the Tibetan Plateau and the Chu Chiang Delta. Dominated by communism since 1949, China has often suffered under harsh and cruel leadership. The United States has struggled over its relationship with a country whose importance is indisputable, yet whose performance is often the antithesis of accepted standards of decency and compassion. Now, the actions of hard-line communist leaders have once again threatened the future of the Chinese people and subverted efforts to establish China as an equal partner in the community of nations. The world is outraged by China's recent aggression against its own people.

What should the U.S. do in the wake of Tiananmen Square? Perhaps it is understandable that some might want the U.S. to exact a heavy penalty for China's misdeeds, to end all meaningful contact with that country, and to return China to isolationism. H.R. 2212 is an example of just such an extreme response. The bill seeks to impose conditions so severe that China cannot possibly comply, and the ability to trade with China under normal tariff rates (MFN) would come to an end. Would we positively influence Chinese actions by this tactic? Would we achieve our human rights and foreign policy goals?

The Pelosi bill establishes strict new conditions for renewal of MFN for China. Under current statute, China's emigration practices must be evaluated each year in order for normal tariff treatment to continue. To achieve MFN for 1992, under this bill, China would have to comply with numerous additional requirements. First, China must give an accounting of citizens detained, accused, or sentenced as a result of the nonviolent demonstrations in Tiananmen Square on June 3, 1989 and all such imprisoned and detained citizens must be released. It is difficult to envision how China could fully meet this rigid test or how the U.S. would confirm China's compliance.

The bill also requires that China demonstrate "significant progress" on an array of human rights abuses, such as ending religious persecution, ensuring that it does not support forced abortion, guaranteeing freedom of the press, allowing peaceful assembly and demonstration, and permitting human rights groups to monitor trials and visit prisoners. Somehow, the Pelosi bill views these human rights issues as not as important as the detention issue, since they are given lower priority. Mostly, the language merely pays lip-service to human rights issues because the detention clause, and the nonproliferation clause discussed below, are structured so that it is impossible for the Chinese to meet them.

With respect to nonproliferation, the bill requires the President to certify that China has provided "clear and unequivocal assur-

ances" that it does not assist "either directly or indirectly" the transfer of nuclear material or missile technology to a non-nuclear state. Although a worthy goal, eliminating normal tariff treatment, bankrupting U.S. investment in China, and subverting U.S. foreign policy objectives in that region is an extreme response to the proliferation and technology transfer problem.

The President has responded, and will continue to respond, to poor performance by the Chinese in guarding against technology transfer. He already has banned shipments of certain missile technology and supercomputers to China as punishment for failure to protect sensitive high technology. Also, pressure from the U.S. has resulted in China's reconsideration of international nonproliferation and missile technology control regimes. Other actions will be taken as appropriate, but pulling MFN would be an extreme sanction and would surely end any further cooperation between the U.S. and China in this vital area.

Congress must seriously consider the consequences of ending MFN and, for all practical purposes, any significant U.S. trade with China. Clearly, such a result would seriously harm U.S. businesses that have invested more than $4 billion in that country, provided new employment there and in the U.S., and served as a channel for American ideals of free enterprise, democracy, freedom of expression and human rights. It would put at risk at least $5 billion in U.S. exports, particularly wheat, aerospace, computers and electrical machinery, fertilizer, cotton and wood products. Since the Pelosi bill would force the U.S. to withdraw MFN unilaterally, our trading partners such as Japan and the EC will easily take over our share of the market.

Also, Congress must recognize the vulnerability of China's neighbors and the strategic and economic importance of the entire region. One obvious example is Hong Kong. The stability and prosperity of Hong Kong's free enterprise economy would be seriously threatened by any severe economic sanction against China. Since Hong Kong's economy is increasingly tied to China's economic well-being, particularly that of the southern provinces, withdrawing MFN would be a body blow to confidence in Hong Kong's economic and political future.

Perhaps more importantly, withdrawing MFN would hurt the Chinese people far more than the current repressive government. American investment, contact and example provide a vital link to the Chinese people and enhances their well-being through jobs and support for basic human rights. The small group of hard-line leaders in Beijing would relish an end to U.S. presense, influence and constant pressure. They would have a freer hand. We must remember that the most brutal period of communist rule occurred at a time when China was isolated from the outside world. The Chinese people would be the victim of our actions, not the government officials. The Pelosi bill is tantamount to threatening the victim of crime with life imprisonment.

Both the President and Congress want to see China respect and protect human rights and return to an era of positive social, political and economic change. Both also want to press for a stronger Chinese commitment to fair trade, including improved market access and protection of intellectual property rights. Finally, both

want to see a stronger Chinese commitment to nonproliferation. How do we best achieve these goals? Do we destroy the bilateral relationship that has been painstakingly built with China since President Nixon's historic visit in 1972? Or do we find other ways to attempt to mold Chinese behavior?

H.R. 2212, as reported here, is a well-meaning but potentially divisive attempt by some Members of Congress to impose competing priorities and agendas on the conduct of foreign policy. It is important that the United States speak with a strong, unified voice if our interests in China and throughout the region are to be successfully promoted. Enactment of the Pelosi bill will only serve to precipitate a backlash in China and to further isolate and repress the Chinese people. We must work with the President and the Secretary of State to formulate an effective policy that will persuade China to address our very legitimate concerns.

H.R. 2212 is a dangerous approach. It is playing chicken with a major world power in an attempt to achieve important human rights, economic and strategic objectives. If China says "no," the U.S. shoots itself in the foot. Congress should reject H.R. 2212.

BILL ARCHER.
GUY VANDER JAGT.
PHIL CRANE.
BILL GRADISON.
BILL THOMAS.
NANCY JOHNSON.
FRED GRANDY.

ADDITIONAL VIEWS BY HON. FRED GRANDY

I fully support President Bush's request for an unconditional extension of Most Favored Nation (MFN) trading status for the People's Republic of China (PRC) and therefore oppose H.R. 2212 and H.J. Res. 263 reported by this Committee. I do so for two principal reasons. First, denial or conditioning of MFN will virtually impose a U.S. grain embargo on China. Second, denial or conditioning of MFN will do more to harm reform in the People's Republic than it will to foster it.

In 1989 China was the eighth largest foreign market for U.S. agricultural exports, purchasing more than $1.4 billion worth of products. In 1990, it imported more than $800 million worth of agricultural products. The PRC is the largest market for U.S. wheat in the world. They currently import as much as 20 percent of total U.S. wheat exports in some years. Since opening trade with China in 1980, China has been a consistent market for U.S. wheat—in 7 of the last 10 years, U.S. wheat exports held more than 30 percent of China's market share. The years it did not are the years, 1983–1986, when the Chinese had bumper crops of wheat and when we limited textile imports from China—spurring retaliation against U.S. products—a clear indication of things to come if MFN is conditioned or denied.

What will happen if China reciprocally removes the U.S.'s MFN status—which it will do under the 1980 U.S.-China Trade Agreement under the severe conditions contained in H.R. 2212? The U.S. will be shut out of the China grain market; 20 percent of our wheat exports will have nowhere to go in a world market awash with wheat; U.S. domestic wheat prices would drop an estimated 27 cents per bushel or about 10 percent from current expected levels; Government farm program support costs for wheat alone could increase as much as $592 million; U.S. wheat farmers' income could drop by $148 million; the EC, Canadians, and Australians, the world's other main wheat exporters will step right in and fill the void with subsidized exports; and other feed grain prices in the U.S. would drop and thus other Government program costs would increase. This is not what the U.S. farm sector needs or can withstand right now. In corn and soybean country, the principal preferred feed grain and oilseed respectively, our markets do not need anymore cheap feed wheat in the U.S. There is a longstanding argument that even our Export Enhancement Program sales of wheat are depressing world feed grain prices and taking markets; one can imagine the impact of being shut out of a 20 percent market.

It took over 7 years to recover our export markets and farm program costs reached record highs as a result of our last grain embargo instituted by President Carter—that is something I hope we never have to repeat. There is no reason why American farmers

should bear the cost of actions of a few hard-liners in Beijing or why their interests should be put at the mercy of these same individuals through conditionality. Let us control the destiny of our own interests.

Secondly, and perhaps most importantly for the Chinese people is the detrimental impact denial or conditionality of MFN status will have on them. The imposition of "Smoot Hawley" type tariff levels on Chinese imports will virtually shut off the faucet. The average tariff rate would rise from 8.35 percent to 47.48 percent. Withdrawal or, some realistically argue, conditionality of MFN would abrogate the 1980 U.S.-China Trade Agreement thus removing the government-to-government agreement upon which the whole structure of our economic relationship with China is based.

We have heard testimony and read news accounts from former Chinese prisoners and hunger strikers from Tiananmen Square urging the unconditional extension of MFN. Unconditional MFN allows surveillance of China and promotes openness. Revocation only provides ammunition to the hard-liners to blame economic stagnation on outside intervention, the inability to trust capitalists, and the need for economic retrenchment that will stunt entrepreneurship and threaten the billions in U.S. foreign investment in the PRC.

I think the best example of why MFN should be extended and how the current relationship is improving the livelihood of millions of Chinese was contained in the Washington Post article on Monday, June 24, 1991, entitled "China's Exports at Risk." That article so vividly explains the importance of MFN to the Guangdong Province of China and relatedly Hong Kong. A foreign economic expert in the province's capital noted that non-renewal of MFN "would be like using a laser-guided bomb and destroying the reformist part of China." We need to adhere to the old adage—give me a fish and I'll eat for a day, teach me to fish and I'll eat for a lifetime. We're teaching the Southern Chinese how to fish with capitalism and entrepreneurship—let's not bring our teachers home and close the classroom.

Other items to note from that article are that the Guangdong factories operate outside of China's centrally planned economy; no one seems to pay attention to socialist rhetoric; streets are devoid of socialist slogans prevalent in Beijing; restaurants are full of families dining out; Guangdong's prosperity has allowed it to maintain a certain degree of political autonomy, and with it, the right to continue experimenting with market-oriented mechanisms; wages are double or triple those earned by farm laborers in less-developed areas in China's interior; Guangdong "shows what the Chinese peasant can be when he doesn't have someone on his back and is not under ideological imperative to prove his socialist credentials."

Revoke or condition MFN and all of this reform is likely to be thwarted and reversed. They're doing what we preach they should do, let us not aide the hard-liners in Beijing and allow them to force the Chinese people to do what they preach.

I do not advocate human rights abuses or religious persecution or the sales of arms to our enemies. I stand with the sponors and supporters of H.J. Res. 263 and H.R. 2212 in the expression of American displeasure and denounce these activities of the leaders of the

PRC. I do not, however, believe that the denial or conditioning of Most Favored Nation status—using trade as a political weapon—is the appropriate vehicle for redressing these grievances. While more pressure needs to be exerted, I do believe the Bush Administration is taking a number of measures to address all concerns expressed in H.R. 2212 and feel that this, not new legislation, is the appropriate avenue of response.

President Bush's request for an unconditional extension of Most Favored Nation trading status for the People's Republic of China should not be denied or conditioned. I urge my colleagues to reject H.R. 2212 and H.J. Res. 263—such action is the correct decision for Americans and for the Chinese people.

FRED GRANDY.

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